

Independent accountants' report on applying agreed-upon procedures
and funds report

State of Hawaii, Housing and Community Development Corporation of Hawaii

June 30, 2003

STATE OF HAWAII
HOUSING AND COMMUNITY
DEVELOPMENT CORPORATION OF HAWAII
June 30, 2003

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Independent Accountants' Report
on Applying Agreed-Upon Procedures

The Board of Directors
State of Hawaii
Housing and Community Development Corporation of Hawaii

We have performed the following procedure enumerated below, which was agreed to by the Board of Directors and management of the State of Hawaii, Housing and Community Development Corporation of Hawaii (HCDCH), solely to assist you in assessing the status of the programs and finances of HCDCH Funds. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of the specified users of the report.

Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

- We agreed actual expenditures as presented in the funds report prepared by management of HCDCH for the year ended June 30, 2003 to the general accounting records of HCDCH.

Findings: No exceptions were found as a result of applying the procedure.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Directors and management of HCDCH and the legislature and should not be used by those who have not agreed to the procedure and taken responsibility for the sufficiency of the procedure for their purposes.



Honolulu, Hawaii
April 13, 2004

INTRODUCTION

This report is being prepared in compliance with section 201G-21, Hawaii Revised Statutes, which requires the Housing and Community Development Corporation of Hawaii (Corporation) to submit an annual report to the Legislature on "all Corporation program areas and funds, organized by program area, and by fund within each program area." Included in the report is a description and status of the following funds:

BED 220 Rental Housing Services

- Federal Low Rent Public Housing Program
- Housing for Elders Revolving Fund
- State Low Income Housing Revolving Fund
- General Funds
- Federal Funds
- Section 8 Contract Administration Program

BED 222 Rental Assistance Service

- Section 8 Rental Assistance Program
- State Rent Supplement Program

BED 223 Broadened Homesite Ownership

- Fee Simple Residential Revolving Fund

BED 224 Homeless Services

- General Funds
- Federal Funds

BED 225 Private Housing Development and Ownership

- Homes Revolving Fund
- Dwelling Unit Revolving Fund
- CIP Fund
- Grant-in-Aid Fund

BED 227 Housing Finance

- Rental Assistance Revolving Fund
- Multifamily Housing Revenue Bond Fund
- Rental Housing System Revenue Bond Fund, the State of Hawaii Affordable Rental Program Revenue Bond Fund, the University of Hawaii Faculty Housing Program Revenue Bond Fund
- Single Family Mortgage Purchase Revenue Bond Fund
- Housing Finance Revolving Fund
- Home Investment Partnerships Program

BED 229 Housing Finance and Development Administration

- Disbursing Fund

BED 231 Rental Housing Trust Fund

BED 807 Teachers' Housing Revolving Fund

BED 220 – RENTAL HOUSING SERVICES

FEDERAL LOW RENT PUBLIC HOUSING

Summary of Fund

The Federal Low Rent Public Housing program is a federally subsidized program that provides 5,363 rental housing units. Participants reside in dwelling units located statewide and receive ancillary services necessary to provide a decent, safe and sanitary living environment. In exchange for these services and an established schedule of utility allowances, the tenants are charged rental fees of up to 30% of their adjusted annual family income, 10% of annual income, or flat rate. The program criteria for participation utilizes a broad range of income limits based on family size and occupancy standards that have been established by the U. S. Department of Housing and Urban Development (HUD). Preference is given to families who fall within various categories of need including (1) reside in substandard conditions, (2) pay more than 50% of their income for rent, and (3) are certified as being homeless. Admission to projects is limited to families earning up to 50% of the median income.

Current fiscal biennium activities

The Corporation will provide safe and sanitary living units for tenants residing in the Federal Low Rent Public Housing program. The quality of services provided to tenants shall be based on HUD's Public Housing Assessment System (PHAS). The assessment incorporates performance indicators that evaluates lease up rates, rent collections, work order response times, unit conditions, resident initiatives, financial performance and overall management effectiveness. Major renovations of units will continue with funding provided by HUD's Capital Fund Program.

Projected activities for the two ensuing biennium

Major issues facing the Corporation are systematic maintenance for dwelling units, compliance with the Americans with Disabilities Act (ADA), deconcentration of low-income public housing projects and improving safety for tenants. An assessment of the physical condition of dwelling units will be updated to determine a priority of units to be repaired or renovated. A preventive maintenance program and a schedule of extraordinary maintenance will be refocused to provide a systematic method for maintaining the units. Compliance with ADA will require an update of the transition plan and to seek funding for renovation of existing units. New units or modernized units will have to include ADA units in the master planning process. Safety issues will be addressed through development of a safety plan and organizing tenants to mobilize a neighborhood watch program or voluntary tenant patrols.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
FY 2002-03	\$37,086,091	
FY 2003-04		\$24,089,904

HOUSING FOR ELDERS REVOLVING FUND

Summary of Fund

The fund was created in 1976 to support the management, operations and maintenance of housing for the elderly. In 1990, the Housing Finance and Development Corporation transferred the fund to the Hawaii Housing Authority pursuant to Act 67. During the 1997 legislative session, Act 350 transferred the fund from the Hawaii Housing Authority to the Corporation in order to consolidate all state housing functions. The program provides 576 dwelling units located on the Island of Oahu. Revenues from the program are used to pay the expenses of management, operation, and maintenance of housing to include insurance, administrative expenses, costs of repairs, equipment and improvements.

Act 178, Session Laws of Hawaii 2002, authorized the transfer of \$250,000 from the Housing for elders Revolving Fund to the General Fund.

Current fiscal biennium activities

The fund will continue to provide safe and sanitary housing for elderly families and individuals residing on the Island of Oahu. Effective February 1, 2004, the Corporation will increase the minimum monthly rents by \$10.00 to address shortfalls resulting from the transfer of funds pursuant to Act 178, SLH 2002.

Projected activities for the two ensuing biennium

Effective February 1, 2005, the Corporation will increase monthly minimum rents by an additional \$10.00. With this increase, revenues from operations are expected to support all administrative and program expenditures and provide adequate reserves for extraordinary repairs and contingency. Projects will be assessed to determine compliance with the Americans with Disabilities Act. The fund will strive to provide safe and sanitary housing for elderly families and individuals residing on the Island of Oahu.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$2,981,502	
2003-2004		\$2,813,619

STATE LOW INCOME HOUSING REVOLVING FUND

Summary of Fund

The State Low-Income Housing program provides 288 rental housing units. The fund was created in 1947 to support the activities of the Hawaii Housing Authority in the development and administration of public housing. Act 212, SLH 1998, changed the name of the fund from the Housing Revolving Fund to its present name. Participants reside in projects statewide and receive dwelling units as well as the ancillary services necessary to provide a descent, safe and sanitary living environment. Tenants pay no more than 30% of their adjusted gross family income for rent. The program criteria for participation utilize income limits, which is 50% of the area median income for admission and 80% for continued occupancy, occupancy standards, and asset limits.

Current fiscal biennium activities

The program will continue to provide safe and sanitary dwelling units for residents. Revenues generated by the program are insufficient to meet expenditures and extraordinary repair requirements. Alternatives will be explored to address mounting deficits including increasing minimum rents and the disposition of projects to eligible private nonprofit entities.

Projected activities for the two ensuing biennium

If feasible, the Corporation may privatize the State public housing stock.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$1,828,930	
2003-2004		\$1,710,339

GENERAL FUNDS

Summary of Fund

The Corporation receives \$1,007,337 of general funds for repair and maintenance of housing projects and to provide security services to four projects. Funds for repair and maintenance are used to support 288 state low-income family housing units and 576 elderly housing units statewide. Due to the lack of sufficient revenues and other sources of funds, the repair and maintenance general funds are used primarily to support the state low-income family housing family projects. The State projects are unable to generate sufficient revenues to handle the day to day repairs and other extraordinary requirements. General funds for security are used to provide security services for the Kalihi Valley Homes, Mayor Wright Homes, Kalakaua Mid-rise, and Kalanihuia federal housing projects.

Current fiscal biennium activities

The limited repair and maintenance funds will be used to support the state low-income family projects and any balance of funds will be used for emergency repairs for the other elderly and federal projects. The security funds will continue to support the current projects.

Projected activities for the two ensuing biennium

The Corporation will seek additional funding for repairs and maintenance and security to insure residents will have safe and sanitary dwelling facilities.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$1,007,337	
2003-2004		\$1,007,337

FEDERAL FUNDS

Summary of Fund

HUD provides grant funds on a competitive basis to assist families in improving their economic condition and promote an environment for residents to better themselves and to become financially self-sufficient. The Corporation has been responding to HUD notices of financial assistance to maximize the use of federal funds to support resident programs.

Current fiscal biennium activities

During Fiscal Year 2002-03, the Corporation received funds through the Public Housing Drug Elimination and the Resident Opportunity for Self Sufficiency (ROSS) programs. The drug elimination program provides funds to develop and finance drug elimination and drug-related crime prevention efforts. The ROSS program provided support services to improve living conditions and promote independent living for the elderly and disabled.

Projected activities for the two ensuing biennium

The Corporation will continue to seek additional federal funding to assist residents in improving their economic condition and to improve the public housing environment by eliminating drug problems.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Program</u>	<u>Actual Expenditures FY 2002-2003</u>	<u>Budgeted Expenditures FY 2003-2004</u>
Public Housing Drug Elimination	\$ 907,546	\$ 582,524
Resident Opportunity for Self Sufficiency	1,584	\$ 92,319

SECTION 8 CONTRACT ADMINISTRATION

Summary of Fund

In November 2000, the Corporation entered into an agreement with HUD to administer the Section 8 housing subsidy contracts for privately-owned multifamily properties. The Corporation ensures correct calculation and payment of Section 8 rental subsidies, consistent administration of project based Section 8 housing assistance payments contracts, and enforcement of owners' obligation to provide decent housing for eligible families.

Current fiscal year biennium

The Corporation administered 64 projects with 3,103 units.

Projected activities for the two ensuing biennium

The Corporation expects to assume the administration of an additional 7 projects with 535 units.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal 2003-2004 is as follows:

<u>Fiscal year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$18,867,388	
2003-2004		\$18,836,446

BED 222 – RENTAL ASSISTANCE SERVICE

SECTION 8 RENTAL ASSISTANCE PROGRAM

Summary of Fund

The Section 8 Rental Assistance Program is a HUD rent subsidy program to assist low-income families obtain decent, safe and sanitary housing in the private sector. HUD makes up the difference between what a low-income household can afford and the approved rent for an adequate housing unit. Eligible tenants must pay the highest of either 30 percent of adjusted income, 10 percent of gross income, or the portions of welfare assistance designated to meet housing costs. Housing subsidized by HUD must meet certain standards of safety and sanitation and rents for these units generally cannot exceed the fair market rents for these units as determined by HUD.

Current fiscal biennium activities

The Corporation will continue to provide residents with opportunities for safe and sanitary dwelling units in the private sector. HUD requires the Corporation to lease up a minimum of 95% of the total leases available. The Corporation will strive to lease up the maximum number of units available and to provide families an opportunity to obtain affordable rental units in the private market.

The Corporation is working with financial institutions to fine-tune the Section 8 Homeownership Option Program which allows eligible Section 8 recipients to utilize their vouchers to become first-time homeowners. 199 Section 8 recipients submitted applications with the first offering of the program.

Projected activities for the two ensuing biennium

In FY 2004, HUD will begin to phase out the 832 Welfare to Work Housing Choice Vouchers which were awarded to HCDCH and will be converted to regular Section 8 Housing Choice Vouchers once a participant leaves the program. This change will enable the Corporation to be more flexible in addressing the needs of the community and increase the Corporation lease up percentage. As the lease up percentage increases to HUD's required level, the Corporation will submit applications to HUD to make more affordable units available for eligible participants.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$19,478,681	
2003-2004		\$25,490,030

STATE RENT SUPPLEMENT PROGRAM

Summary of Fund

The State Rent Supplement Program provides rent subsidies to eligible families to enable them to rent a safe, decent and sanitary housing unit in the private market. The Corporation enters into contracts with a housing owner to make annual payments on behalf of a qualified tenant. The maximum amount of payment on behalf of a qualified tenant is limited to \$160 a month.

Current fiscal biennium activities

The Program assisted approximately 500 families to obtain housing in the private market.

Projected activities for the two ensuing biennium

The Corporation will continue to assist eligible very low-income families to obtain safe, decent and affordable rental housing in the private market.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$1,064,984	
2003-2004		\$1,220,647

BED 223 - BROADENED HOMESITE OWNERSHIP

FEE SIMPLE RESIDENTIAL REVOLVING FUND

Summary of fund

The Fee Simple Residential Revolving Fund (FSRRF) was established in 1967, and accounts for revenues, receipts, and expenditures of the State's Land Reform Program which fosters the conversion of residential leasehold land to fee simple. The FSRRF is the depository for all monies paid for administrative and tract costs by lessees participating in the Land Reform Program. Effective May 2001, pursuant to a legislative change, participating lessees will pay for direct tract costs and the FSRRF will absorb the indirect administrative costs.

The fund also accounts for arbitration receipts and expenditures involved in the Lease Rent Renegotiations Program, which facilitates the renegotiations of lease rents of land underlying single family dwellings and cooperative housing corporations. The receipts are for reimbursement of actual arbitration services performed by designated arbitrators. No administrative costs are collected from program participants for coordination services performed by the Corporation.

Act 178, SLH 2002, authorized the transfer of \$300,000 from the FSRRF to the General Fund.

Current fiscal biennium activities

Land Reform Program

Collection of outstanding amounts owed.

Lease Rent Renegotiations Program

Single Family Residential:

<u>Tract</u>	<u>No. of Lots</u>
Black Point Road	2
Punaluu Beach Lots	1
Punaluu Beach Lots II	1
Enchanted Lake Estates	1
Kaimalino	1
	6

Projected activities for the two ensuing biennium

The Corporation plans to continue to avail the Land Reform Program to qualified lessees of single family residential leasehold lots. More than 1,200 units remain in leasehold, and a number of those lots may petition the Corporation for conversion in the coming biennium.

Lessees are required to pay their pro rata share of direct tract costs to participate in the program. The Corporation is also working on the collection of outstanding amounts owed from previous cases.

The Corporation also plans to continue to assist lessors and lessees by providing arbitration services for the determination of lease rents in accordance with Chapter 519, HRS.

Expenditures

Actual expenditures during the year ending June 30, 2003 and expenditures budgeted for fiscal year 2003-04 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$269,615	
2003-2004		\$237,012

BED 224 – HOMELESS SERVICES

GENERAL FUNDS

Summary of Fund

Act 212, SLH 1991 created the Homeless Families Assistance Act administered by the Department of Human Services. Act 148, SLH 1993 transferred the program to the Hawaii Housing Authority and changed the name to Homeless Assistance Act. Act 350, SLH 1997 transferred the program to the Corporation. The purpose of the homeless services program is to provide a timely and appropriate response to homelessness. The Corporation establishes and governs the services and benefits provided for the homeless through homeless facilities.

Current fiscal biennium activities

The homeless program consists of four basic components: (1) facilitate statewide and regional strategic planning to address and prevent homelessness, (2) facilitate the development of programs and transitional facilities, (3) provide shelter and social services through contract services and (4) manage state owned shelters. The Corporation intends to continue to support homeless individuals and families and facilitate transition of the homeless into permanent housing.

Projected activities for the two ensuing biennium

The Corporation will continue to apply for federal grants that may be used to supplement state-funded services. Recent awards have funded rental assistance for homeless persons with disabilities, educational and employment opportunities for residents in shelters, and implementation of a statewide homeless management information system.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$4,820,164	
2003-2004		\$4,914,387

FEDERAL FUNDS

Summary of Fund

The Corporation received federal grants for the Emergency Shelter Grant, Shelter Plus Care, Housing Opportunities for Persons with AIDS and Supportive Housing Programs. These programs provide assistance to certain homeless target groups that would not be available through the state general fund.

Current fiscal biennium activities

The Emergency Shelter Grant (ESG) program provided shelter and services to homeless families and individuals in Hawaii's rural counties. Shelter Plus Care funds were used to provide long term rental assistance on Oahu to persons with disabilities and their families, specifically those with HIV/AIDS. The Housing Opportunities for Persons with AIDS (HOPWA) program also services persons with HIV/AIDS and their families in the rural counties, providing rental assistance and supportive services. Supportive Housing Program funds were used to provide transitional and permanent housing, and a wide variety of supportive services for homeless clients in the rural counties.

Projected activities for the two ensuing biennium

The ESG program will continue to provide shelter and services to homeless persons. The program will make available services that will help improve the quality of emergency shelter for the homeless, to help make additional emergency shelters available, to help meet the cost of operating emergency shelters, and to provide essential social services to homeless individuals. The Shelter Plus Care grants will provide the services described in the foregoing paragraph through fiscal year 2005. HOPWA funding is on an annual formula allocation basis, and the services projected will continue to be tenant rental assistance and supportive services for persons with AIDS. Supportive Housing program grants will provide the services described in the preceding paragraph through fiscal year 2006.

The Corporation will seek additional Continuum of Care grants on a competitive basis to provide a continuum of services including tenant rental assistance and supportive services.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

	Actual <u>Expenditures</u>	Budgeted <u>Expenditures</u>
Emergency Shelter Grants	\$177,208	\$392,343
Shelter Plus Care	213,661	167,760
Supportive Housing Program	570,479	518,189
HOPWA	128,982	357,000

BED 225 - PRIVATE HOUSING DEVELOPMENT AND OWNERSHIP

HOMES REVOLVING FUND

Summary of fund

The Homes Revolving Fund (HRF) was established in 1988 to develop and implement affordable housing programs including the development of off-site and on-site improvements required for development, providing short term or interim construction loans, development and construction of housing, and advancing equity capital for the Rental Housing System administered by the Corporation. The fund, which was originally capitalized with \$120 million of general fund monies, assists private developers in overcoming major barriers to housing development. Monies have been used for the following purposes:

- * Planning, design and construction of major on-site and off-site improvements required for development of three master planned communities – the Villages of Kapolei (Oahu), Villages of La'i'opua (Hawaii), and Villages of Leiali'i (Maui).
- * Short-term or interim construction loans.
- * Development and construction of housing.
- * General Maintenance of the Villages of Kapolei, La'i'opua, and Leiali'i¹.

In 1990, the Director of Finance was authorized to advance an additional \$25 million from monies available in the general fund. To date, no portion of the \$25 million has been advanced to the HRF.

On August 31, 1992, pursuant to Act 300, SLH 1992, \$120 million of taxable general obligation bonds were issued in the name of the State to replenish the cash advanced from the general fund to HRF.

Act 14, Sp.SLH 1995, authorized the transfer of \$30 million from HRF to the Department of Hawaiian Home Lands. Act 15, Sp.SLH 1995, authorized the transfer of \$34 million in retained earnings from HRF to the general fund. Act 95, SLH 1996 authorized the transfer of Village 6 at Kapolei and Village 3 at La'i'opua to the Department of Hawaiian Homes Lands to satisfy the requirements of section 6(1) of Act 14, Sp.SLH 1995.

Act 270, SLH 1997 authorized the transfer of \$6 million on 7/1/97 and \$6 million on 7/1/98 to the State General Fund.

Act 141, SLH 1998 authorized the transfer of \$42.5 million on 7/1/98 to the State General Fund.

Act 178, SLH 2002 authorized the transfer of \$1.5 million from HRF to the General Fund.

Act 178, SLH 2003 repealed the Homes Revolving Fund effective June 29, 2003 and authorized the

¹ The Office of Hawaiian Affairs claimed that the State has no authority to alienate the public land trust and sell ceded lands to third parties. The Office of Hawaiian Affairs also claimed the State did not comply with proper land valuation and conveyance procedures set by Acts 317 and 318, SLH 1992. The State defended its right to alienate the public land trust and its compliance with Acts 317 and 318 at trial which commenced November 2001. In December 2002, State Circuit Court Judge Sabrina McKenna ruled that the State could sell ceded lands; however, this decision has been appealed.

transfer of all unexpended and unencumbered balances remaining to the General Fund. The Act also authorized that any revenues owing the HRF be deposited into the Dwelling Unit Revolving Fund.

2002-2003 Expenditures

Actual expenditures for the year ending June 30, 2003 were made for the following projects:

<u>Project</u>	<u>Expenditures</u>
Villages of Kapolei	\$1,044,826
Villages of La'i'opua	4,928
Villages of Leiali'i	<u>15,536</u>
Total	\$1,065,290

DWELLING UNIT REVOLVING FUND

Summary of fund

The Dwelling Unit Revolving Fund (DURF) was established pursuant to Act 105, SLH 1970. Act 105, together with Act 195, SLH 1975, and Act 225, SLH 1976 authorized the State to issue \$125,000,000 in general obligation bonds for acquiring, developing, selling, leasing, and renting residential, commercial, and industrial properties. DURF has primarily been used for interim construction financing of affordable infill housing projects.

On July 1, 1995, pursuant to Act 15, Sp.SLH 1995, \$12 million in retained earnings from DURF were transferred to the State General Fund.

On July 1, 1998, pursuant to Act 141, SLH 1998, \$6.4 million from DURF were transferred to the State General Fund.

Act 178, SLH 2002 authorized the transfer of \$12 million from DURF to the General Fund.

Act 178, SLH 2003 authorized the transfer of \$15 million from DURF to the General Fund.

The Corporation intends to use monies from the Dwelling Unit Revolving Fund:

1. To continue to fund planning, design costs, infrastructure improvements, and general maintenance in the Villages of Kapolei;
2. For the general maintenance of the Villages of La'i'opua and Villages of Leiali'i; and
3. To construct or rehabilitate affordable housing projects.

Villages of Kapolei (Oahu)

The Villages of Kapolei is a state-assisted master planned development located in Ewa on the Island of Oahu. This 888-acre project will consist of approximately 4,300 housing units. The master plan also includes parks and recreation facilities, a golf course (which acts as a drainage/retention basin), schools, churches, a day care center and commercial property.

The mix of housing units includes single family and multi-family units for sale and rent. A portion of the project may be reserved for the elderly and special needs groups.

The Corporation is providing resources to developers to stimulate affordable housing in eight villages. Each village consists of a developer selection, onsite infrastructure, on site construction, construction of model units, home construction and occupancy.

Current fiscal biennium activities

The last 67 of 204 total single family homes at Village 7 will be completed during 2003-2004 fiscal year.

During fiscal year 2003-2004, the Corporation will continue to work with the City and County of Honolulu on the planning, design and dedication of infrastructure, as well as the installation of two traffic signals at the Kama'aha Avenue/Kama'aha Loop intersections (near the Kapolei Elementary School) and two other traffic signals on Kapolei Parkway adjacent to Kapolei Middle and High Schools.

Infrastructure (roadways, road signs and markings, street sweeping, street light replacement, sidewalks, etc.) and landscape and irrigation maintenance will also continue.

Projected activities for the ensuing bienniums

The Corporation will continue to work with the City on the planning, design and dedication of infrastructure. Major infrastructure projects include the construction of the Kapolei Interceptor Sewer Line that will service the Kapolei region and repairs to existing infrastructure. The Corporation will also continue to maintain the infrastructure and landscaping/irrigation in the Villages of Kapolei while working to dedicate common areas to the Villages of Kapolei will also be assessed.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Project</u>	<u>Actual Expenditures 2002-2003</u>	<u>Budgeted Expenditures 2003-2004</u>
Kapolei Village 7 (Interim)	\$31,309,984	\$7,134,143
Kapolei Infrastructure		5,000,000

Planned infrastructures expenditures through the year ending June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Budgeted Expenditures</u>
2004-2005	\$14,200,000
2005-2006	10,980,000
2006-2007	10,900,000
2007-2008	5,000,000

Villages of La'i'opua (Hawaii)

The Villages of La'i'opua is a state-assisted master planned development located near Kailua-Kona on the Island of Hawaii. Conceptually, this 808 acre project will consist of approximately 3,500 housing units. Under the conceptual master plan, the housing mix includes single family homes for sale, and multi-family homes for sale or rent, and ready to build self-help lots for sale. A portion of the project will be made available to the elderly and special need groups.

The master plan includes parks, a privately developed golf course, telephone switching center, and an electric substation. In addition, the master plan also includes water source development, expansion of wastewater facilities, schools, churches, day care centers, and commercial property.

Current fiscal biennium activities

In view of the unresolved ceded lands issue, housing development in the Villages of La'i'opua is on hold. However, the Corporation will be incurring expenditures required for public use projects approved by the Corporation. Ongoing public use projects include construction of Kealakehe High School by DAGS, and development of a County office building by the County of Hawaii on a portion of Village 8.

Projected activities for the ensuing bienniums

Major expenditures projected for the fiscal year 2005 through the fiscal year 2008 are for the planning, engineering, and electrical services costs.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$4,928	
2003-2004		\$36,000

Planned project expenditures through the year ending June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Budgeted Expenditures</u>
2004-2005	\$36,000
2005-2006	36,000
2006-2007	36,000
2007-2008	36,000

Villages of Leiali'i (Maui)

The Villages of Leiali'i is a state-assisted master planned development located in the Wahikuli area of the West side of Maui. Conceptually, this 1,125 acre project will consist of approximately 4,813 housing units. Under the conceptual master plan, the mix of units will include single family homes for sale and multi-family homes for sale and rental. Portions of the project will be reserved for elderly and special needs groups. The project will be developed in fourteen villages over a thirty-year period. Each village or phase will bear a pro-rata share of the land and offsite infrastructure cost. Major off-site infrastructure requirements include the expansion of the Lahaina Wastewater Reclamation Facility, a new wastewater transmission line and potable water source and transmission system. In addition, a wastewater reuse system will be installed to meet the irrigation needs of the recreation areas.

The master plan also includes parks and recreational facilities, a golf course, water storage facilities, water source development, wastewater treatment and reclamation facilities, telephone and electric substations, two elementary schools, churches, day care center and a commercial center.

Current fiscal biennium activities

The Corporation intends to continue general maintenance of the Villages of Leiali'i until the ceded land lawsuit is favorably resolved.

Projected activities for the ensuing biennium

The Corporation intends to continue general maintenance of the Villages of Leiali'i until the ceded land lawsuit is favorably resolved. Should the ruling prevail in the State's favor, the Corporation will resume development activities and additional funding will be required in the future fiscal years beyond what is budgeted in this report.

Expenditures

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$15,536	
2003-2004		\$7,000

Planned project expenditures through the year ending June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Budgeted Expenditures</u>
2004-2005	\$7,000
2005-2006	7,000
2006-2007	3,057,000
2007-2008	1,557,000

Other Affordable Housing Projects

Current fiscal biennium activities

2002-2003 Fiscal Year

Development expenditures were made in this fiscal year for the following projects:

<u>Project</u>	<u>Expenditures</u>
Cliffside at Hanapepe	\$10,013
Waiahole	117,446
Crown Properties	11,238
Kuliouou Task Force	15,510
Milolii Self-Help Phase 3	-0-
Emergency Funds	13,727
Land Search (Iwilei Project)	28,553
Kalapana Relief	-0-
Pohukaina	-0-

2003-04 Fiscal Year

Development expenditures are anticipated to be made in this fiscal year for the following projects:

<u>Project</u>	<u>Expenditures</u>
Kuliouou Task Force	\$32,000
Kamaaina Hale – Rehabilitation	4,488,000
Emergency Fund	12,000
Waiahole	280,000
Nani O Puna	288,000
Senior Residence at Iwilei	8,399,000

Projected activities for the two ensuing biennium

2004-05 Fiscal Year

Development expenditures are anticipated to be made in this fiscal year for the following projects:

<u>Project</u>	<u>Expenditures</u>
Kuliouou Task Force	\$32,000
Kamaaina Hale – Rehabilitation	7,449,000
Emergency Fund	12,000
Waiahole	1,738,000
Nani O Puna	619,000
Senior Residence at Iwilei	17,011,000
Uluwehi Apartments Demolition	100,000
West Maui Homeless Resource Ctr.	1,000,000

2005-06 Fiscal Year

Development expenditures are anticipated to be made in this fiscal year for the following projects:

<u>Project</u>	<u>Expenditures</u>
Kuliouou Task Force	\$32,000
Emergency Fund	12,000
Senior Residence at Iwilei	10,958,000
Uluwehi Apartments Demolition	900,000
Waiahole	2,654,000
Affordable Rental Project	15,000,000

2006-2007 Fiscal Year

<u>Project</u>	<u>Expenditures</u>
Kuliouou Task Force	\$32,000
Emergency Fund	12,000
Uluwehi Apartments-Maintenance	6,000
Waiahole	450,000
Affordable Rental Housing Project	15,000,000

2007-2008 Fiscal Year

<u>Project</u>	<u>Expenditures</u>
Kuliouou Task Force	\$1,832,000
Emergency Fund	\$12,000
Uluwehi Apartments-Maintenance	\$6,000
Waiahole	\$200,000
Affordable Rental Housing Project	15,000,000

LISTING OF NEW UNITS DWELLING UNIT REVOLVING FUND

PROJECT NAME	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	TOTAL UNITS
Iwilei Rental			157				157
Kapolei Village 5 SF (Iwalani)	0	16		31		0	47
Kapolei Village 8	0	69	0	165	165	0	399
Affordable Rental Housing						200	200
TOTALS	0	85	157	196	165	200	803

CIP FUND

Summary of fund

The Corporation is continuing to administer capital improvement project funds appropriated in the current and previous fiscal years. Funds have been expended to improve public housing units and to develop or initiate future affordable housing projects. The primary focus of CIP funds is the repair and maintenance of housing units to provide safe, sanitary and affordable dwelling units for needy families. The Corporation will continue to seek additional appropriations to maintain its aging inventory.

Current Fiscal biennium activities

During Fiscal Year 2002-2003, the Corporation continued with activities for the repair and maintenance of public housing units.

Projected activities for the two ensuing biennium

During the next two ensuing biennium, the CIP funded projects appropriated for the current fiscal year and previous fiscal years will be initiated and completed. This includes the modifications to common area and unit interiors to meet the Americans with Disabilities Act and the repair and maintenance of public housing units.

Expenditures

Expenditures for fiscal year ending June 30, 2003 were as follows:

<u>Project</u>	<u>Amount</u>
State Housing Projects Statewide	\$910,340
State Public Housing Lead Paint Abatement	3,697,429
Teacher Housing Lead Paint Abatement	1,602
Teacher Housing Demolition/New Construction	8,041
Senior Residence at Iwilei	92,708
Accessibility Upgrades	126,540
Kalaeloa	6,620
School Street Office	2,250
Kapolei High School	19,022,134

GRANT-IN-AID FUND

Summary of fund

Although this fund was not established pursuant to Chapter 201G, HRS, it was created to accommodate the various grant-in-aid appropriations for audit purposes.

Current fiscal biennium activities

The 2002 Legislature did not appropriate funds for fiscal year 2002-2003.

Projected activities for the two ensuing biennium

Projected activity cannot be anticipated because it is based on appropriations made by the Legislature.

Expenditures

None

BED 227 HOUSING FINANCE

RENTAL ASSISTANCE REVOLVING FUND

Summary of fund

The Rental Assistance Revolving Fund (RARF) was established in 1981 for the purpose of receiving monies from the State to support the Rental Assistance Program. The original purpose of the Rental Assistance Program was to provide subsidies to owners of newly constructed or rehabilitated affordable rental housing projects to lower the out-of-pocket rents paid by eligible tenants. The amount of rental assistance subsidy committed to a project on a per-unit basis is generally \$175 to \$250 per month. Prior to 1992, interest earnings on general fund appropriations were used to fund the rental subsidies.

In 1992, the Legislature restructured the Rental Assistance Program by allowing the use of principal and interest earnings to finance rental assistance subsidies (not just interest earnings on investments in general fund appropriations), provided that the Corporation use up to \$25 million plus any bond proceeds to provide interim construction financing to:

- (1) qualified sponsors who are private nonprofit or profit entities or
- (2) the Corporation

for the development of affordable rental housing.

The amended program also authorizes the Director of Finance to guarantee the aggregate amount of assistance payments for the term of the rental assistance contract, up to an aggregate total of \$100,000,000. Pursuant to such guarantee, the Corporation would continue to make rental payments to the owner in accordance with the approved rental assistance contract on behalf of the tenants in accordance with the approved subsidy.

Pursuant to Act 30, Sp.SLH 1995, the Legislature authorized the transfer of \$3,200,000 from this fund to the Rental Housing Trust Fund. Also, Acts 30 and 31, Sp.SLH 1995, authorized the transfer of \$1,439,000 for a program to assist Waialua Sugar workers.

Pursuant to Act 213, SLH 1996, the Legislature authorized the transfer of \$13.5 million from this fund to the General Fund.

Act 178, SLH 2002 authorized the transfer of \$6 million from this fund to the General Fund.

Current fiscal biennium activities

In July 2002, interim construction loans totaling \$6.5 million were approved for two projects for the development of 96 units. To date, the Program has provided approximately \$38 million in interim construction financing for 786 rental units.

Projected activities for the two ensuing biennium

It is anticipated that outstanding RARF loans will be repaid in fiscal year 2003-2004. As such, it is expected that new applications will be received to request for available funds.

Expenditures

Actual expenditures during the year ending June 30,2003 and expenditures budgeted for fiscal year 2003-04 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$2,251,560	
2003-2004		\$2,335,794

MULTIFAMILY HOUSING REVENUE BOND FUND

Summary of fund

The Multifamily Housing Revenue Bond Fund was established in accordance with Act 291, SLH 1980, which authorized the Corporation to issue revenue bonds of up to \$122,500,000. Act 304, SLH 1996 increased the authorization to \$200,000,000. The proceeds from the bond issues are to be used to provide interim construction loans and/or permanent financing to facilitate the construction or rehabilitation of affordable rental projects.

The following projects have been financed under the Multi-family Housing Revenue Bond Program:

<u>Project</u>	<u>Set- Aside Units</u>	<u>Total Units</u>	<u>Year</u>	<u>Amount</u>
Tropicana West	203	406	1985	\$32,000,000
Manana Gardens	72	72	1985	3,800,000
Nani Maunaloa	61	61	1995	4,350,000
Manana Gardens (acq/rehab)	0	0	1999	3,750,000
Nova Sunset Villas (refunding) (fka Tropicana West)	0	0	2000	27,408,000
Hale Hoaloha Apartments	<u>81</u>	<u>81</u>	2001	<u>3,405,000</u>
Total	417	620		\$74,713,000

Current fiscal biennium activities

In June 2003, the Corporation approved a Resolution declaration its intent to issue \$20,000,000 of tax exempt bonds to finance the development of the proposed 157-unit Senior Residence at Iwilei project in Honolulu, Hawaii.

Projected activities for the two ensuing bienniums:

The Corporation has the flexibility to issue bonds from time to time based on requests from eligible developers. The exact amount of bonds to be issued during the two ensuing bienniums is currently unknown, but will be based on the developer's request and the financing needs of the project.

Expenditures

Actual expenditures during the year ending June 30, 2003 and expenditures budgeted for fiscal year 2003-04 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$2,037,344	
2003-2004		\$1,906,692

RENTAL HOUSING SYSTEM REVENUE BOND FUND, THE STATE OF HAWAII AFFORDABLE RENTAL PROGRAM, THE UNIVERSITY OF HAWAII FACULTY HOUSING PROGRAM REVENUE BOND

Summary of fund

Act 337, SLH 1987, provided for the creation of special funds to account for housing projects or a system of housing projects to be financed from the proceeds of bonds secured under the same trust indenture. Accordingly, the Rental Housing System Revenue Bond Fund was established on December 30, 1987, to account for various multifamily rental housing projects. The provisions of Act 216, SLH 1987, as amended by subsequent legislative actions, authorized the Corporation to issue up to \$375,000,000 of revenue bonds. The proceeds from the bond issues are used to finance multifamily rental housing projects.

Current fiscal biennium activities

Eight bond issues have been completed to date:

<u>Project</u>	<u>No. of Units</u>	<u>Year Financed</u>	<u>Amount Financed</u>
La'ilani	200	1987	\$14,950,000
Honokowai Kauhale	184	1989	16,500,000
Kamakee Vista	226	1990	33,500,000
Pohulani Elderly	262	1990	35,700,000
Kauhale Kakaako	268	1993	30,700,000
La'ilani Refunding	----	1993	14,175,000
UH Manoa Faculty	143	1995	17,680,000
Keku'ilani Courts	<u>80</u>	1995	<u>7,020,000</u>
Total	<u>1,363</u>		<u>\$170,225,000</u>

Projected activities for the two ensuing biennium

It is anticipated that there will be a reduction in activity under this program as emphasis will be towards assisting privately owned and developed rental projects.

Expenditures

Actual expenditures during the year ending June 30, 2003 and expenditures budgeted for fiscal year 2003-04 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$15,833,240	
2003-2004		\$12,296,258

SINGLE FAMILY MORTGAGE PURCHASE REVENUE BOND FUND

Summary of fund

In 1979, the Hawaii State Legislature authorized the Hawaii Housing Authority to fund an innovative mortgage loan program for families of low and moderate income -- Hula Mae. In 1987, Act 337, SLH 1987, assigned the responsibility for the Hula Mae Program to the Corporation. Through the issuance of tax exempt revenue bonds, the Hula Mae Program provides eligible borrowers with mortgage loans at below market interest rates.

Since 1979, the Hawaii State Legislature has authorized the Corporation to issue, with the approval of the Governor, revenue bonds in an aggregate principal amount of \$2.275 billion. Under the Single Family Program's open indenture, twenty-seven series of bonds have been issued aggregating over \$1.696 billion. The open indenture provides for the issuance of additional bonds to further the Single Family Program or to refund outstanding bonds.

Effective July 1, 1998 and pursuant to Act 350, SLH 1997, the Corporation became the successor to Housing Finance Development Corporation (HFDC).

Current fiscal biennium activities

In June 2003, the Corporation received preliminary approval from the Governor to issue approximately \$50 million in revenue bonds under the Hula Mae Single Family Bond Program.

As of June 2003, the Hula Mae Single Family Mortgage Purchase Revenue Bond Program has assisted 9,857 families with their home purchases.

Projected activities for the two ensuing biennium

The Corporation has the flexibility to issue bonds from time to time based on the needs of the mortgage lenders and developers. The exact amount of bonds to be issued during the two ensuing biennium is currently unknown, but will be based upon the demand for affordable mortgage money.

Expenditures

Actual expenditures during the year ending June 30, 2003 and expenditures budgeted for fiscal year 2003-04 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$38,080,473	
2003-2004		\$39,455,063

HOUSING FINANCE REVOLVING FUND

Summary of fund

Funds on deposit in the Housing Finance Revolving Fund are used for long-term and special financing of the Corporation and for the payment of the necessary administrative expenses of the Corporation. Examples of programs contained with the Housing Finance Revolving Fund include the Mortgage Credit Certificate Program, the Loan Program for Kalapana Disaster Victims, the Kahana Valley Loan Program, and the Low-Income Housing Tax Credit Program.

Mortgage Credit Certificate (MCC) Program

The purpose of the Mortgage Credit Certificate Program is to provide eligible borrowers with a direct tax credit against their federal income tax liability, making more income available to both qualify for mortgage loans and make monthly payments. The amount of the credit is equivalent to 20% of the annual interest paid on a mortgage loan. This means that 20% of the annual interest paid on a mortgage loan is a dollar for dollar credit, while the remaining 80% continues to qualify as an itemized tax deduction. Under the MCC Program, the Corporation has traded in approximately \$96.4 million of Mortgage Revenue Bond (MRB) authority for just over \$24.1 million of MCC authority.

Act 178, SLH 2003 authorized the transfer of \$3 million from the HFRF to the General Fund.

Current fiscal biennium activities

As of June 30, 2003, the MCC Program assisted 608 families with their home purchases.

Projected activities for the two ensuing biennium

The Corporation has the flexibility to trade in MRB Authority for MCC Authority from time to time based on the demand for MCCs. The exact amount of MRB Authority to be traded in during the ensuing biennium is currently unknown, but will be based upon the demand for MCCs.

Kahana Valley Loan Program

Act 238, SLH 1988, appropriated \$1,360,000 (only \$1,346,400 was received) to the Corporation to provide low interest mortgage loans to the holders of Kahana Valley State Park residential leases. The maximum loan amount per lessee is \$50,000. There are currently thirty-one families with Kahana Valley leases.

Current fiscal biennium activities

As of June 30, 2003, a total of twenty-five loans have been closed. One of the remaining six families has applied for a loan with the Corporation.

Projected activities for the two ensuing biennium

Two families are expected to apply for loans during fiscal year 2004.

Low Income Housing Tax Credit Program

The Federal Low income Housing Tax Credit (LIHTC) Program has been a popular incentive program for private developers for the development and preservation of privately owned affordable rental housing. The tax credit is only available for projects with units rented to low-income occupants. In 1988, Hawaii established a similar program that allocates State tax credits equivalent to 30 percent of the federal credit.

Current fiscal biennium activities

In July 2002, four projects were awarded Low-Income Housing Tax Credits, which will result in the development of 199 new affordable units.

In May 2003, two projects were awarded Low-Income Housing Tax Credits, which will result in the development of 92 new affordable units. In addition, in June 2003, one project was awarded non-competitive Low-Income Housing Tax Credits in the amount of \$1.55 million in annual federal credits for the development of 155 new affordable units.

At the end of the current fiscal biennium, there were 50 projects totaling 4,157 units that were assisted under the federal and state Low-Income Housing Tax Credit Program. Of these units, 3,711 were operational, 199 were under construction and will be completed by the end of 2004, and 247 were in the planning stage.

Projected activities for the two ensuing biennium

The permanent extension of the program enables the Corporation to allocate approximately \$2.26 million in federal tax credits and \$678,000 in state tax credits to projects on an annual basis. It is anticipated that approximately 150-200 units can be constructed each year with the use of tax credits.

In the two ensuing biennium, increased activity and interest in the program is expected, due to the under-subscription of competitive low-income housing tax credits during the current biennium.

Expenditures

Actual expenditures during the year ending June 30, 2003 and expenditures budgeted for fiscal years 2003-04 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$662,840	
2003-2004		\$521,701

HOME INVESTMENT PARTNERSHIPS PROGRAM

Summary of fund

The federal HOME Investment Partnerships Program gives State and County governments flexibility to fund a wide range of low-income housing activities that leverage creative and unique housing partnerships among state, localities, private industry and nonprofit organizations. The HOME Program supports households earning 80% or less of the area median income. The program is intended to be a locally designed and administered program which expands the supply of decent, safe, affordable, and sanitary housing, with primary attention to low-income rental housing. HOME funds allocated to the State are on deposit in the Home Investment Trust Fund account, which is established in the United States Treasury and managed through HUD's Integrated Disbursement and Information System (IDIS).

Current fiscal biennium activities

During Fiscal Year 2002-2003, the Corporation conditionally committed HOME funds to the Counties of Hawaii, Kauai and Maui for the following activities:

County of Hawaii

- Kamuela Senior Rental Housing Project
- Puukapu Self Help Housing Project
- Administrative Costs

County of Kauai

- Kalepa Village
- Administrative Costs

County of Maui

- First Time Homebuyer Assistance Program
- Aloha House Clean and Sober Living Affordable Housing Project
- Central Maui Senior Housing Project
- Administrative Costs

Projected activities for the two ensuing biennium

The Corporation will continue to apply for the HOME Investment Partnerships fund to assist low-income households. Since the HOME Program was authorized by the National Affordable Housing Act of 1990, the State of Hawaii has received annual allocations from the HUD.

Expenditures

Actual expenditures during the year ending June 30, 2003 and expenditures budgeted for fiscal year 2003-04 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$2,033,691	
2003-2004		\$3,000,000

BED 229 HOUSING ADMINISTRATION

DISBURSING FUND

Summary of fund

This fund serves as a clearing fund to facilitate central purchasing and disbursements for the Corporation. The Fund pays operating expenses such as payroll, utilities, and operating charges for all funds of the Corporation. Those funds in turn reimburse the disbursing fund for their share of the expenses. The actual expenditures are recorded in the respective funds.

Current fiscal biennium activities

Not applicable.

Projected activities for the two ensuing biennium

Not applicable.

BED 231 RENTAL HOUSING TRUST FUND

Summary of fund

Act 308, SLH 1992 provided for the creation of the Rental Housing Trust Fund. The fund was established to assist low-income families and individuals, including the homeless and special need groups, in obtaining affordable rental housing. The fund provides loans or grants for the development, predevelopment, construction, acquisition, preservation and substantial rehabilitation of rental housing units. Prior to July 1, 1998, the Fund was under the authority of the Rental Housing Trust Fund Commission and for administrative purposes placed under the State of Hawaii, Department of Budget and Finance. Act 350, SLH 1997, effective July 1, 1998, consolidated the functions of the Housing Finance and Development Corporation, the Hawaii Housing Authority and the Rental Housing Trust Fund under the Corporation.

Current fiscal biennium activities

The demand for funds from the Rental Housing Trust Fund is high, and is expected to increase as other State resources are eliminated or depleted. The program (based on receiving 25% of the conveyance tax) received approximately \$2.9 million during Fiscal Year 2002-2003. During the 2001 legislative session, the Rental Housing Trust Fund received authorization to issue up to \$30 million in revenue bonds, using the conveyance tax income to pay down the debt service. Issuance of the bonds are anticipated within the two ensuing biennium.

In July 2002 two project awards totaling \$6,793,800 in Rental Housing Trust funds were approved for the development of 127 new units. Aggregate development costs for both projects totaled approximately \$21.1 million. As of July 2002, the Rental Housing Trust Fund has approved approximately \$54.3 million for 30 projects to create or preserve 2,270 rental units. No funds were awarded in the 2003 application cycle, due in part to the limited amount of funds available.

Projected activities for the two ensuing biennium

It is anticipated that up to \$30 million in revenue bonds could be issued within the two ensuing biennium. Proceeds from the issuance will be used to satisfy existing commitments of the Rental Housing Trust Fund.

During fiscal year 2003-2004, there will be one application cycle for the Rental Housing Trust Fund's Project Award program. It is anticipated that requests for rental housing trust funds will exceed the amount available.

The Corporation will continue to administer this program to the extent funds are available.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$128,794	
2003-2004		\$14,008,563

BED 807 – TEACHERS’ HOUSING REVOLVING FUND

Summary of Fund

The Teachers’ Housing Program was created in 1969 to support the development and administration of housing for teachers of the Department of Education. Teacher housing provides housing for teachers in remote rural areas at a reasonable cost. Act 350, SLH 1997, transferred the program from the Hawaii Housing Authority to the Corporation to consolidate all state housing functions.

Act 178, SLH 2003, authorized the transfer of \$400,000 from the Teacher’s Housing Revolving Fund to the General Fund.

Current fiscal biennium activities

The Corporation will continue to provide safe and decent housing for teachers in rural areas. Due to the presence of lead-based paint in three teacher cottages, the units will be rehabilitated or replaced with new units.

Projected activities for the two ensuing biennium

A declining housing demand over the last 3 to 5 years, physical deterioration and the presence of lead-based paint in the older structures has prompted the Corporation to deprogram units. The deprogramming will reduce program-operating expenses over the long term. Environmental regulations governing the disposal of lead-based paint material has increased demolition costs that will require additional funding to abate or remove the material. Units will also have to be modified to meet the Americans with Disabilities Act standards.

Expenditures

Actual expenditures for the year ending June 30, 2003 and expenditures budgeted for the fiscal year 2003-2004 are as follows:

<u>Fiscal Year</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>
2002-2003	\$275,241	
2003-2004		\$358,567